



# The New Wave of Tech Behemoths in Hong Kong

Riding the Cloud of Virtual Bank  
– The Secret to Roaring Success

# Foreword

“ The world is energized to step into a new Fintech era. Early in 2017, the Hong Kong Monetary Authority (HKMA) has already put forth the importance of digital transformation in financial sector and launched a number of initiatives under the title of “New Era of Smart Banking.” Along with the vision of the HKMA, in 2020, Hong Kong hit a major Fintech milestone with eight virtual banks fully launched.

Having provided with our own data reports, leveraging our proprietary Data Management Platform (DMP) and sophisticated data analytics capability, Vpon Big Data Group has released the first virtual bank report, exploring and revealing significant findings of these digital-first challenger banks.

”

————— **Arthur Chan, Chief Operating Officer**  
Vpon Big Data Group

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# The Rise Of Virtual Bank in Asia

# Current Development of Virtual Bank in Asia

4



**China**

In 2014, licenses were granted by China's regulatory authority.

2



**South Korea**

In 2016, licenses were granted to two banks, including Kakao Bank and K Bank.



**Japan**

In **2000**, Japan had their first virtual bank launched, being the earliest country in Asia to introduce the concept of digital banking.

16



**Hong Kong**

8

In 2019, licenses were granted by Hong Kong Monetary Authority (HKMA).



**Taiwan**

3

In 2019, licenses were granted by Financial Supervisory Commission of Taiwan (FSC).



**Singapore**

4

In 2020, licenses were granted, composed of 2 DFB licenses and 3 DWB licenses in 2019.

Looking closer to Asia, there is a rapid increase in the number of the virtual bank across Asia. Ranging from Asian economies with sound and solid banking infrastructure for the long-term development of digital banking, to markets that are “underbanked” and exploring opportunity to promote innovative banking service.



Vietnam



Indonesia



Malaysia

Some countries in Southeast Asia are also exploring opportunity to develop virtual banking system.

# The Concept of Virtual Bank

## Personalized Customer Experience

AI and big data allow virtual bank to provide a highly customized digital experience for their users.



## Digital-Centric Operations

Most of the banking services conduct via online and electronic channels because of the absence of physical presence.

## Operating Without Technology Legacy





Free from technology legacy enables virtual banks to adopt cutting-edge technologies, such as Big Data, AI and Cloud...etc.





# Hong Kong's Virtual Bank Industry Landscape

# Virtual Bank vs. Traditional Bank

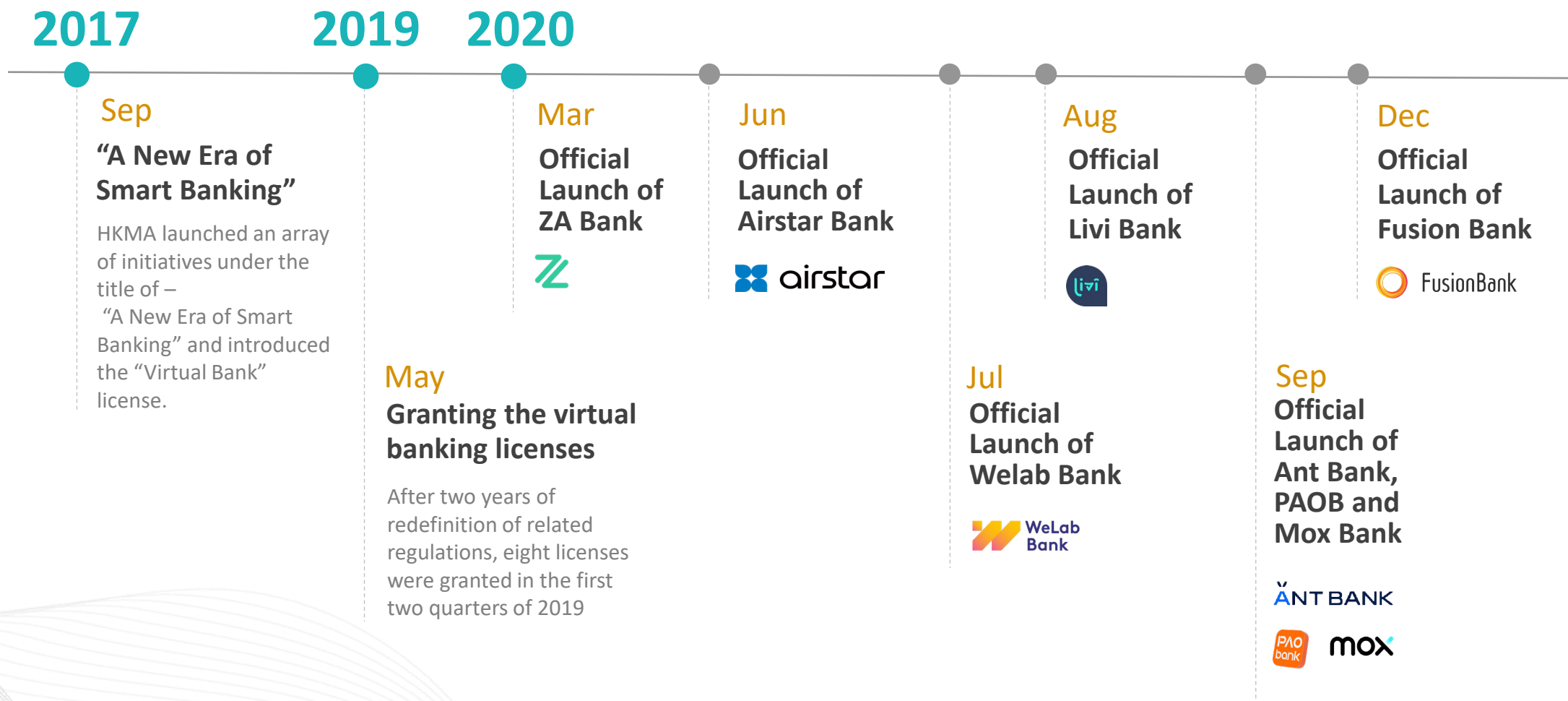
Virtual Bank	Main Features	Traditional Bank
Banks primarily deliver retail banking services through the internet or other forms of electronic channels.	 <b>Definition</b>	Banks with/without digital presence. Some of them may have online system, but only being a part of service to aid with basic banking service.
<ul style="list-style-type: none"> <li>• 24/7 digital operation</li> <li>• All banking service are performed online</li> </ul>	 <b>Service Hour &amp; Channel</b>	On-site staffs in physical outlets with limited working hours but offer real-time customer services
<ul style="list-style-type: none"> <li>• Retail customers</li> <li>• SMEs</li> </ul>	 <b>Target Customers</b>	<ul style="list-style-type: none"> <li>• Local and foreign business account</li> <li>• Local and foreign personal account</li> </ul>
Basic retail banking services, including deposit and loans for both business and personal users	 <b>Scope of Service</b>	Full range of banking services, including mortgage loans, currency exchange, stock exchange

\*sometimes referred as a digital-only bank



# Current Development of Hong Kong's Virtual Banks

Welcome to the “New Era of Smart Banking”



# Hong Kong Banking and Finance App Industry Overview

NO.4

HSBC HK  
Mobile Banking

NO.5

Hang Seng  
Personal Banking

NO.13

Citibank HK  
Mobile Banking

NO.30



ZA Bank

1	*AlipayHK (支付寶香港) (Ali..	
2	*PayMe from HSBC	
3	智財迅手機版 (Market+ Mob	
4	HSBC HK Mobile Banking 香..	
5	恒生個人流動理財服務 (Han..	
6	*Google Pay: Pay with your ..	
7	*支付寶錢包 ( 支付寶官方客..	
8	中銀香港 (BOCHK)	
9	BoC Pay	
10	HSBC HK Reward+	
11	富途牛牛 -港美股即時報價交..	
12	PPS on Mobile(繳費靈)	
13	Citibank HK -流動理財 (Citib..	
14	東網Money18 免費即秒報價..	
15	SC Mobile Hong Kong(渣打)	
16	BEA 東亞銀行	
17	DBS Omni	
18	AIA Connect / 友聯繫	
19	經濟通-股票強化版MQ(手機)..	
20	中原地產 Centaline Property	

Traditional  
banking Apps  
ranked Top 20  
in the market

30

ZA BANK

Virtual banking Apps have comparatively lower  
penetration – ZA Bank ranked 30th

## Traditional Banking Apps are still the Most Ubiquitous

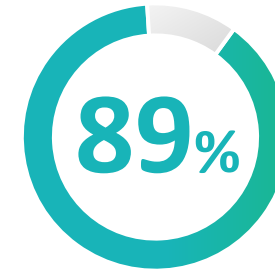
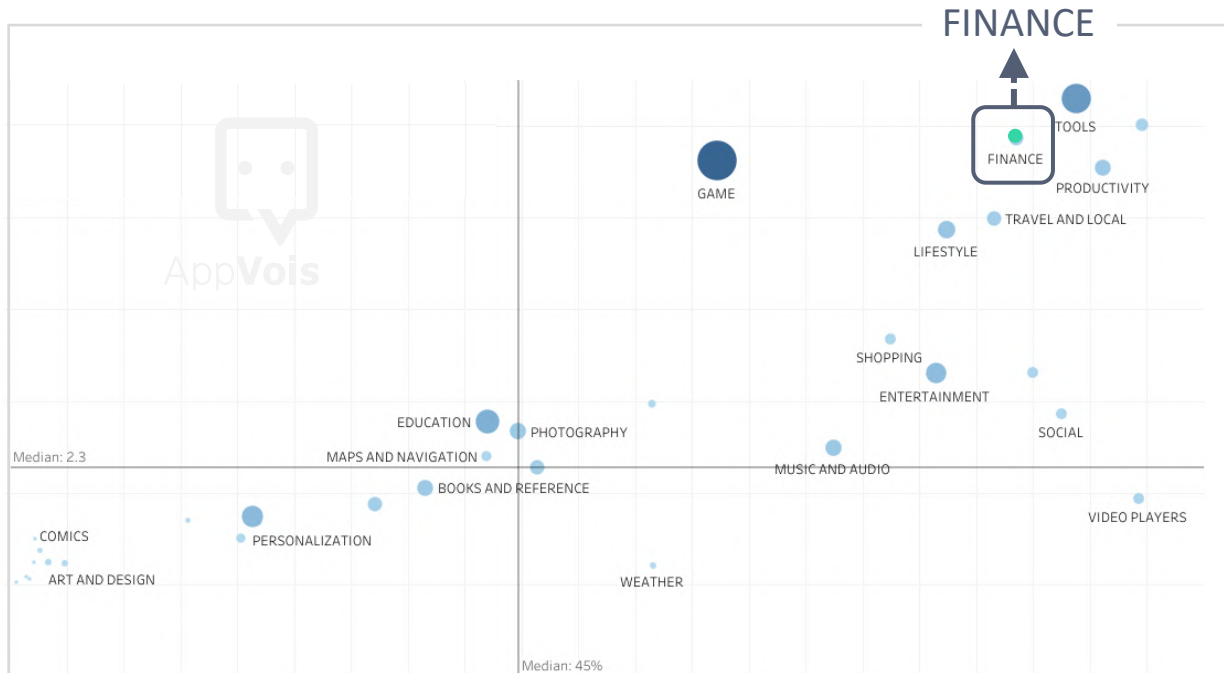
Virtual bank has been steadily gaining momentum since 2020. However, as a new market player, its overall penetration is still lower than traditional banking Apps, like HSBC and Hang Seng Bank, which have a long history of establishment and strong market dominance.

Traditional Bank

Virtual Bank

# Hong Kong Banking and Finance App Industry Overview

\*X axis represents penetration; Y axis represent avg. # of owned app  
Larger circle and darker color represents more apps



Penetration rate of  
banking & finance-  
related Apps



Average Number of banking  
and financial-related Apps  
installed in each device

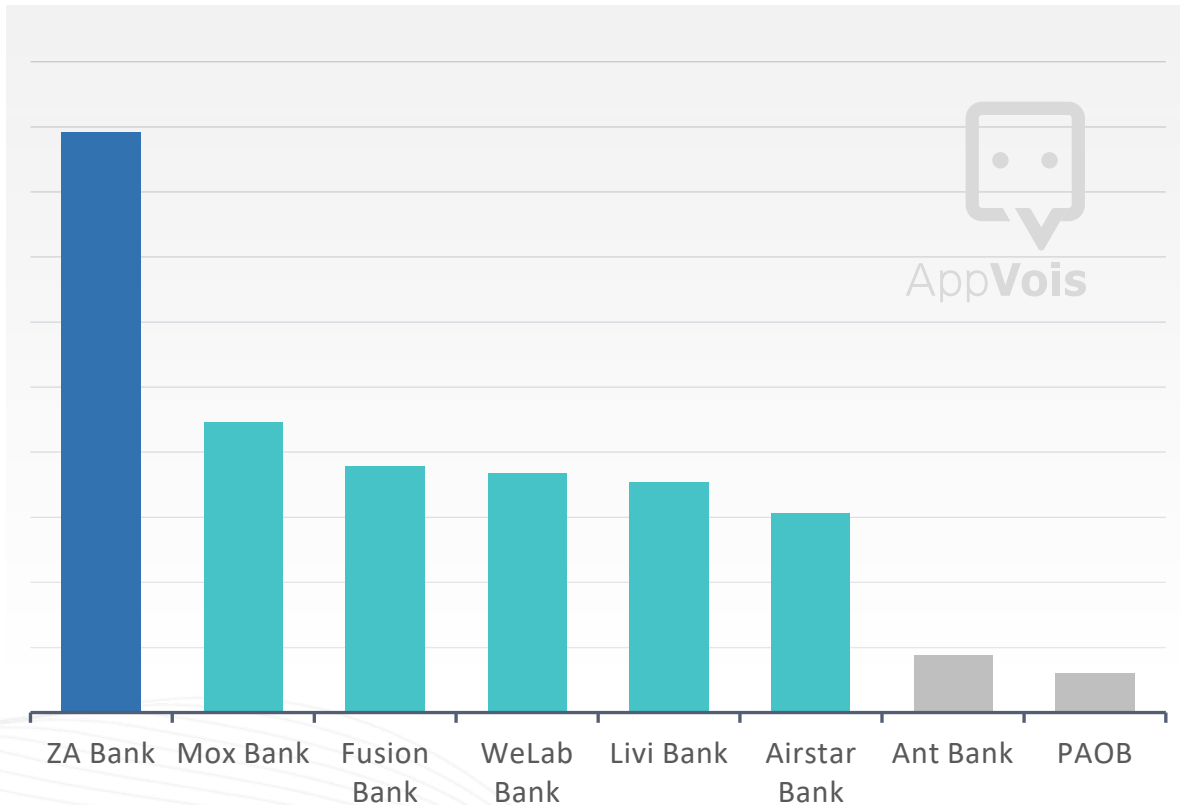
\*Total of 6,435 Apps in the market.

Hong Kong has long been recognized as a global financial hub. Supported by its free internet access and high smartphone penetration, digital banking services continue to gain popularity, which is also reflected by the [increasing penetration of banking & finance-related apps](#).



# Hong Kong's Virtual Banking Apps Penetration Rate

## 8 Hong Kong Virtual Banks App Penetration Rate



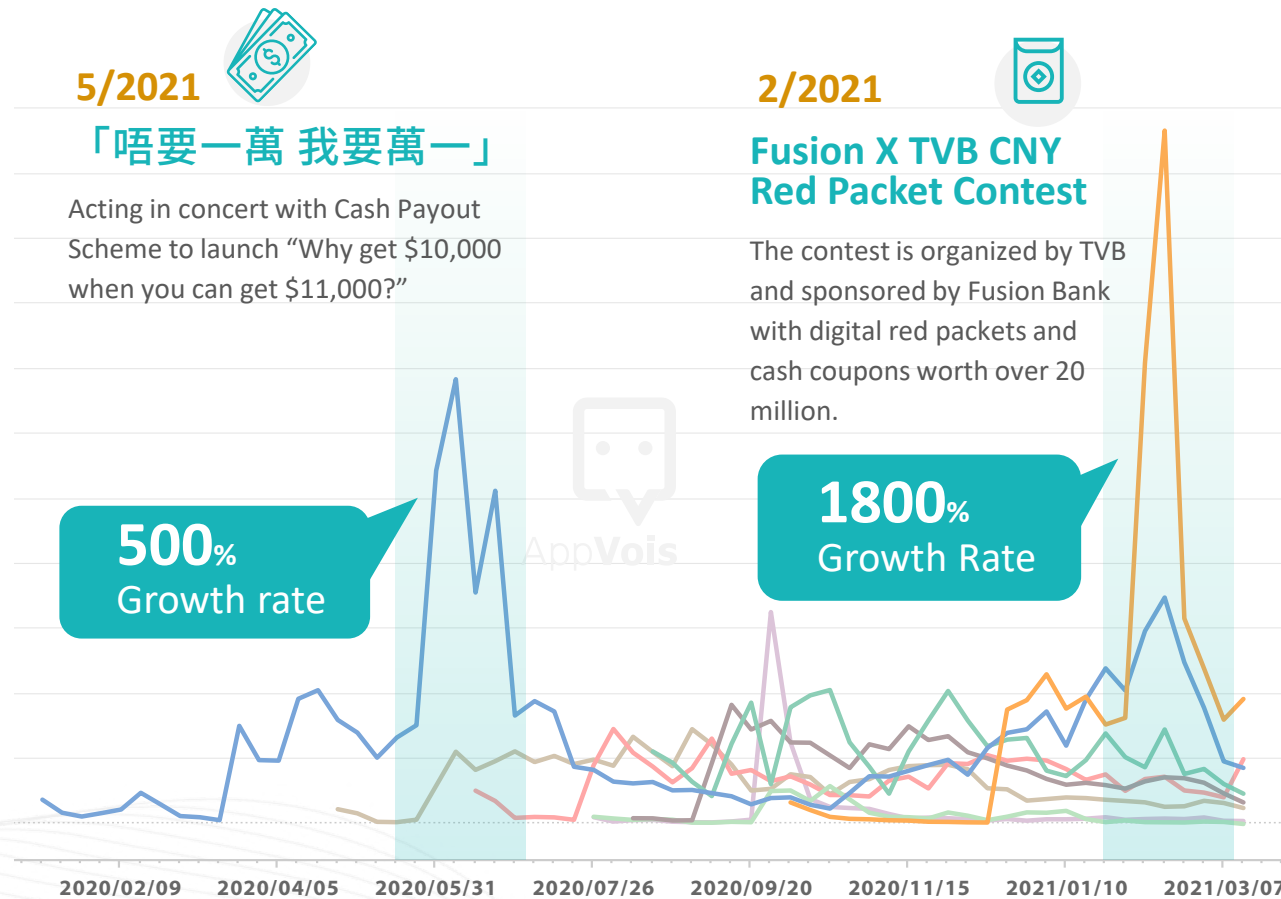
## Fierce Competition Among the Eight Virtual Banks

ZA Bank is the first virtual bank officially launched in Hong Kong; it still maintains its competitive position with the highest penetration in the market.

However, it's also worth looking at the similar penetration from 2<sup>nd</sup> to 5<sup>th</sup> position, prompting fierce competition between these virtual banks, on aggressively building their customer base.

# Hong Kong's Virtual Banking Apps New Install Trend

Fluctuated New Install Trend Among Most of the Virtual Banks



## Sparking Immediate Gimmicks through Promotional Campaigns

Most of the virtual banks have launched promotional campaigns in its first year of establishment, to build market presence and lure potential customers. Particularly for ZA and Fusion bank, acting in concert with market precondition to boost new install.

- |             |            |
|-------------|------------|
| Fusion Bank | Welab Bank |
| ZA Bank     | PAOB       |
| Ant Bank    | Airstar    |
| Mox Bank    | Livi Bank  |

# Go Viral, also Go Deep

Look Closer into the Hong Kong Banking Apps' User Profile

## Go Viral

Building brand presence is the first step

Potential Customers

Audience  
Pool

Current  
Customers

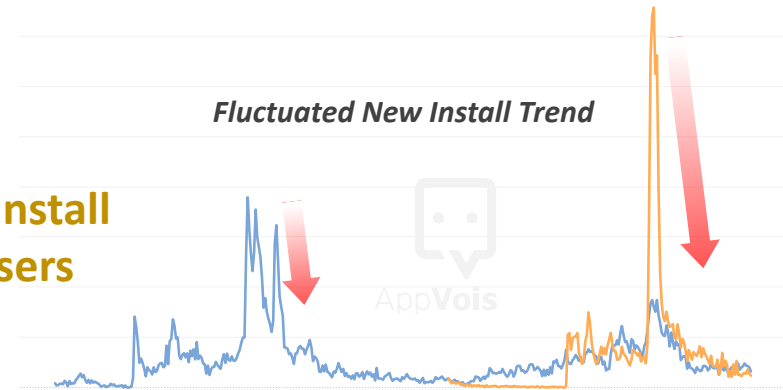
## Go Deep

Mastering Big Data to,

1. Understand Your Current Customers
2. Uncover Your Potential Customers

Maintain a Sustainable Install  
Rate and Retain Loyal Users

Fluctuated New Install Trend



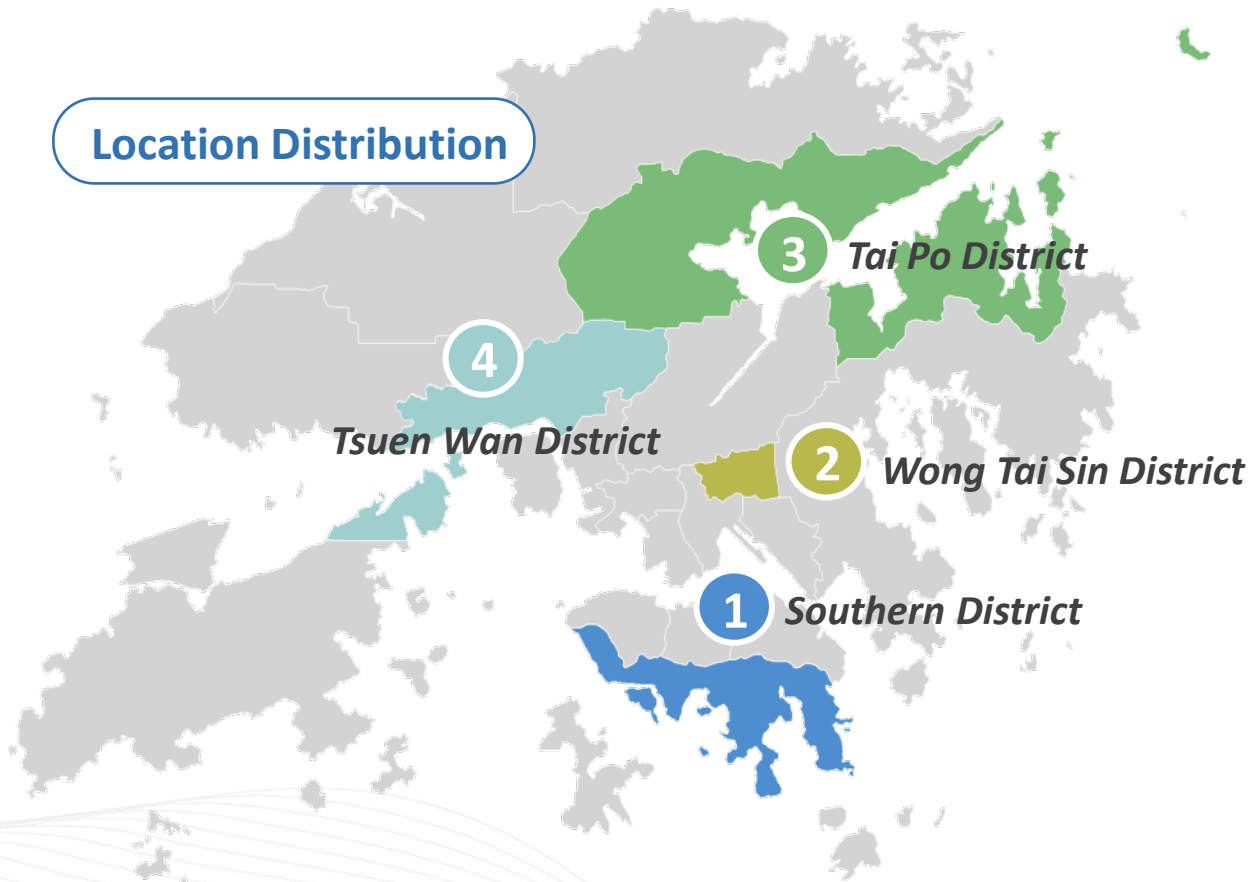




## Deep Dive into Hong Kong Banking Apps' User Profile

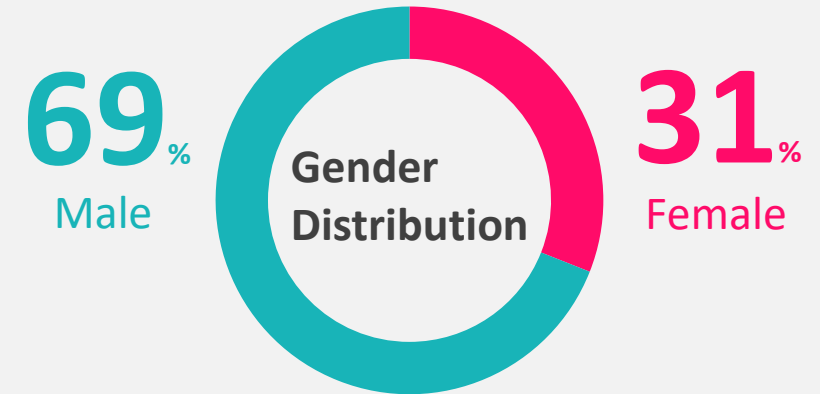
# Overview of Virtual Bank Audience Profile

## Location Distribution



## Increasing Penetration in Residential Area

Around-the-clock service of virtual banks enhances the accessibilities of banking services, which offers more affordable and convenient financial services in residential area.



# Who are They?

## Virtual Bank Users



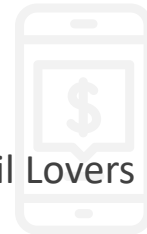
**NO.1**  
**Zealous Youth**



**NO.2**  
Digital Learners



**NO.3**  
Entertainment & Retail Lovers



Virtual bank tends to be more popular among younger generation. Zealous Youth and Digital Learners ranked first and second respectively, as they can be seen as more digitalized and keens on exploring new technology.

## Traditional Bank Users



**NO.1**  
**Retail Lovers**



**NO.2**  
Finance Guru



**NO.3**  
Automotive Enthusiasts



Traditional bank users are usually retail lovers and automotive enthusiasts, their consumption hinges more on life utilities. Besides, they also tend to be more finance-oriented and show interest in other banking & finance services.



# What Apps are They Interested in?

## App preference

### Virtual Bank Users

**NO.1**  
**Dating**  
**51.7%**

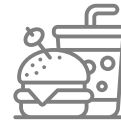


**NO.2**  
**36.3%**



Housing & Property

**NO.3**  
**27.2%**



Food & Drinks

## Dating App Booms among Virtual Bank Users



Virtual bank users tend to have a stronger interest in online dating. They are also interested in using housing & property Apps, as there is an increasing number of younger age groups renting apartment in recent years.

## App preference

### Traditional Bank Users

**NO.1**  
**Finance**  
**21.3%**



**NO.2**  
**16.6%**



Health & Wellness

**NO.3**  
**8.6%**



Daily Lifestyle

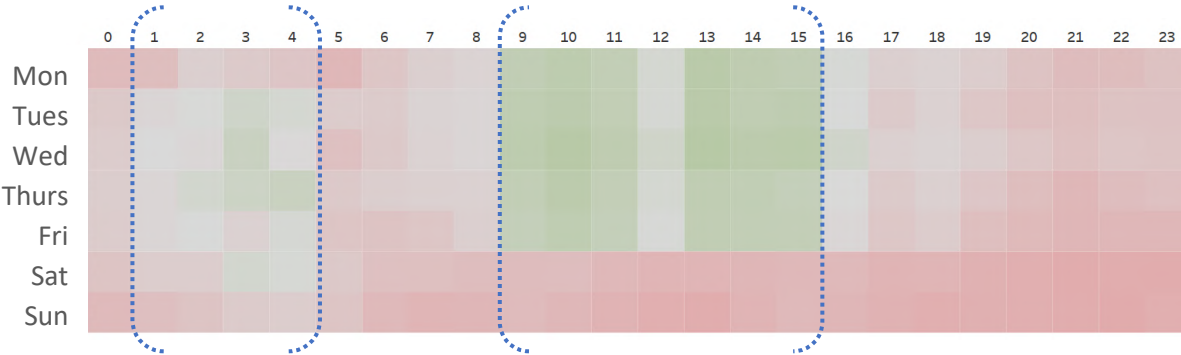
## Strong Interest in Using Finance-related Apps



Traditional bank users tend to have a strong preference for using finance-related Apps, which also match with their user profile. They are also lifestyle-oriented, showing concerns for personal health care and daily lifestyle.

# What is their Daily Mobile Usage?

Daily Mobile Usage Virtual Bank Users

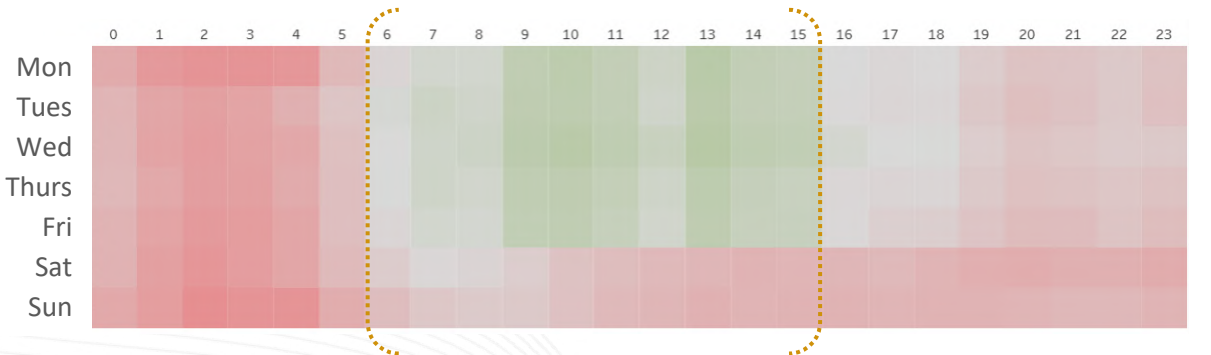


## 24/7 Operation Leads to Higher Mid-Night Activeness



Daily mobile usage is mainly concentrated in morning to lunch hours during weekdays. Not surprisingly, 24/7 operation hours is also a possible reason for the midnight activeness of virtual bank users.

Daily Mobile Usage Traditional Bank Users



## Mobile Usage is Mainly Concentrated in Weekdays



Traditional bank users are generally more active in the early morning till the end of the lunch hours during weekdays. Comparatively, the usage rate is lower during weekends due to limited office hours for offline customer service.

# What Ads are They Interested in?

## Daily Campaign Interest

### Virtual Bank Users

NO.1

Toys &  
Games



NO.2

Food & Drinks



NO.3

Electronic Gadgets



## Technologically Adept Population



Virtual bank users can be seen as more tech-savvy. They mainly engage in toys & games and electronic gadgets ads. In addition, they show interest in food & drinks. Their interest tends to be age-oriented.

## Daily Campaign Interest

### Traditional Bank Users

NO.1

Retails &  
Automotive



NO.2

Home Appliance



NO.3

Personal Care &  
Cosmetics



## House & Care and Retail Fanatics



Traditional bank users are more interested in retails & automotive-related ads. They also engage in house-care products and tend to fall in cosmetics-related ads.





# Key Takeaways

# Learnings – The Future of Smart Banking

The ongoing pandemic situation presents a mix of opportunities and challenges for the new incumbents, not merely in Hong Kong but also countries intending to – or developing cutting-edge banking system. **Riding on the experience of Hong Kong**, new entrants in other regions can also learn and make a stronger case for the introduction of virtual banking.

## Fintech is not a WANT but a MUST



Covid-19 has accelerated the progress of digital transformation, not only for virtual banks, but also for traditional retail banks that are continuously re-structuring their business model digitally to cater customers' needs.

## Go Viral, also Go Deep



Cultivating brand reputation and market presence is only the first move. Leveraging high-tech and low-cost advantages, such as data and AI to explore and understand your target customers is the cornerstone to enhance sustainable engagement.

## Customer-Centric is the Key Differentiator



New incumbents should always respond dynamically to customers' needs and expectation. Personalized experience could be a key differentiator to acquire new customers while retaining loyal customers.



# Professional App Data Analysis Platform Created for the App Market



Thoroughly Look into  
Individual App Profile



Holistic Overview on  
every App Trends



Vpon Data Service  
Integration



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